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SENATE BILL 2803

By Cooper

AN ACT to amend Tennessee Code Annotated, Title 67, Chapter 8, relative to gift tax rates and adjustments.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. Tennessee Code Annotated, Section 67-8-104(a), is amended by deleting the subsection in its entirety and by substituting instead the following:

(a)(1) In the case of gifts (other than gifts of future interests in property) made to any person by the donor during the calendar year, the first ten thousand dollars (\$10,000) of such gifts to such person shall not, for purposes of taxable gifts, be included in the total amount of gifts made during such year. Where there has been a transfer to any person of a present interest in property, the possibility that such interest may be diminished by the exercise of a power shall be disregarded in applying this subsection, if no part of such interest will at any time pass to any other person.

(2) In the case of gifts made in a calendar year after 1998, the ten thousand dollar (\$10,000) amount contained in subdivision (a)(1) shall be increased by an amount equal to:

(A) ten thousand dollars (\$10,000), multiplied by

(B) the cost-of-living adjustment determined under subsection (d) of this section for such calendar year by substituting "calendar year 1997" for "calendar year 1992" in subdivision (B) thereof.

If any amount as adjusted under the preceding sentence is not a multiple of one thousand dollars (\$1,000), such amount shall be rounded to the next lowest multiple of one thousand dollars (\$1,000).

SECTION 2. Tennessee Code Annotated, Section 67-8-104(c), is amended by deleting the words "Class A".

SECTION 3. Tennessee Code Annotated, Section 67-8-104, is amended by adding the following as a new subsection (d):

(d) (1) Cost-of-living adjustment. For purposes of subdivision (a)(2), the cost-of-living adjustment for any calendar year is the percentage (if any) by which:

(A) the CPI for the preceding calendar year, exceeds

(B) the CPI for the calendar year 1992.

(2) CPI for any calendar year. For purposes of subdivision (d)(1), the CPI for any calendar year is the average of the Consumer Price Index as of the close of the 12-month period ending on August 31 of such calendar year.

(3) Consumer price index. For purposes of subdivision (d)(2), the term "Consumer Price Index" means the last Consumer Price Index for all urban consumers published by the United States Department of Labor. For purposes of the preceding sentence, the revision of the Consumer Price Index which is most consistent with the Consumer Price Index for calendar year 1986 shall be used.

SECTION 4. This act shall take effect upon becoming a law, the public welfare requiring it.